



City of Manchester
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CITY USE TAX FACT SHEET ON PROPOSITION A

MUNICIPALITIES MAY ENACT A USE TAX

Sections 144.757 and 144.761 of the Revised Statutes of Missouri authorize any incorporated city, town or village to impose a local use tax.

WHAT IS THE LOCAL USE TAX?

The local use tax is applied, in lieu of the local sales tax, on transactions that individuals and businesses conduct with out-of-state vendors, including catalog and direct market sales.

WHAT IS THE PURPOSE OF THIS TAX?

The main purpose of the local use tax is to create a level playing field for our local retail businesses that must collect the City's sales taxes. Currently, our local retailers are at a competitive disadvantage with out-of-state vendors who do not have to collect local sales taxes. The local use tax will fix this "loophole."

THE ADOPTION OF A USE TAX MUST BE SUBMITTED TO THE VOTERS

The governing body of any city may adopt a local use tax ordinance. However, the proposal must be submitted to the voters of the city at either a municipal, county or state general, primary or special election and receive a majority of the votes cast on the proposal. That is why Proposition A is on the April 5 ballot.

WHAT USE TAX RATE IS AUTHORIZED?

The City may impose a use tax only at the same rate as its city sales tax rate. If Manchester's sales tax rate is repealed, reduced or increased, by voter approval, then Manchester's use tax rate is similarly repealed, reduced or increased.

WHAT IF THE CITY'S VOTERS TURN DOWN THE USE TAX?

If the voters of the City do not authorize a local use tax, the Board of Aldermen may submit the use tax proposal again at a later election. There is no limitation as to how many times the local use tax proposal may be submitted to the electorate.

WHEN DOES A CITY USE TAX ORDINANCE TAKE EFFECT?

If the City voters approve the use tax, the tax becomes effective on the first day of the calendar quarter, which begins at least forty-five days after the Director of Revenue receives notice of adoption of the local use tax.

HOW IS THE TAX COLLECTED?

If the out-of-state vendor has a facility in Missouri, the vendor will collect the local use tax, along with the state use tax, and remit both to the Missouri Department of Revenue. If the out-of-state vendor does not have a facility in Missouri, the purchaser must file a use tax return with the Department of Revenue, but only if the individual or business has more than \$2,000 in such purchases during the calendar year.

THE DIRECTOR OF REVENUE COLLECTS THE TAX FOR THE CITY

Under the law, the Missouri Director of Revenue collects both the state and City use taxes. City taxes, less charges for collection, are sent back to the City of Manchester. Thus, while the state is not sharing any of its revenues with Manchester, the state is providing its collection machinery, and no additional collection machinery or additional personnel will be required by Manchester in order for the City to receive its use tax.

WHAT DOES THE STATE CHARGE FOR THE COLLECTION OF THE CITY USE TAX AND HOW IS THE CITY TAX ACCOUNTED FOR?

The Director of Revenue is required to deposit all city use taxes collected in a special City Use Tax Trust Fund, less one percent (1%) for the cost of collection. The one percent deducted, less the cost of premiums on surety bonds, is deposited in the State General Revenue Fund. The Director of Revenue is to keep an accurate record of the amount of money collected for each city.

WHEN IS LOCAL CITY USE TAX MONEY DISTRIBUTED TO THE CITY?

The law provides that not later than the tenth day of each month the State Treasurer will distribute all moneys deposited in the City Use Tax Trust Fund during the preceding month to Manchester's Director of Finance.

WHAT PURCHASES ARE EXEMPT FROM THE USE TAX?

If an item is exempt from the state and local sales tax, it is also exempt from the state and local use tax, including raw materials and component parts used in manufacturing, machinery used in manufacturing, farm equipment, etc.

HOW MUCH WILL MANCHESTER RECEIVE FROM A LOCAL USE TAX?

It is very difficult to estimate the revenue from a local use tax because it is based on the purchases made by individuals and businesses in our city from out-of-state vendors. There is no information available on such sales in prior years.